



# CO-OPERATIVES.

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## **D e d i c a t i o n .**

This book is dedicated to all well-wishers of the CO-OPERATIVE MOVEMENT IN INDIA, in the hope that its contents may help them.



Our most worthy President has called on every individual to put in his best efforts for the common good of all.

This little book has been written for those who have been attracted to the Co-operative Movement and would like to know more about it in the fields of Industry and Engineering, to secure much greater employment and higher standard of living.

The author believes that every well wisher of our country will find himself in agreement with what is contained in this book. Any suggestions to improve the book will, however, be most welcome.

**Co-operation is the handmaid of Democracy.** The only way, in which democracy can flourish, is to develop the Co-operative ideal to the limit. As Co-operation will grow, Government Machinery and Capitalism will decline in importance and, with it, will also decline the huge administrative expenditure, corruption, black marketing etc. With the growth of Co-operation, the beneficent Departments, like Agriculture, Industries and Public Works, will all become absorbed in the Co-operative Movement, with the exception of a few officials, in the form of Technical Boards.

## PREFACE.

There is hardly any book available in India, on the subject of Industrial & Construction Co-operative Societies, and this present work is intended to serve as a small handbook for reference by those interested in the subject. In a brief compass, this book deals with the importance and scope of Industrial and Construction Co-operatives, their genesis, their organisation and the problems connected therewith. At the end, I have given my personal experiences and have also appended a note on Industrial Co-operation in India by Shri V. L. Mehta.

I firmly believe, that the only way, in which democracy can survive, is to develop the Co-operative ideal to the utmost. Also the only way, in which the important problem of unemployment and economic uplift of the masses, can be solved is by executing works through Co-operative endeavour. The Industrial and Construction Co-operatives combine these two ideals.

In conjunction with this Co-operative Movement, it is essential that the Government of India must evolve an effective policy to stop the huge drain of our national wealth through petroleum products etc and our dependence on foreign concerns and other big foreign vested interests working in India.

Every effort has been made to make the book as useful as possible and it is hoped that it will be appreciated by those for whom it is meant.

Any suggestions for the improvement of the book in the next edition are cordially invited.

CHAMPA LAL





## CONTENTS.

	Page
Introduction.	i
Importance and Scope of Industrial & Construction Co-operatives.     ...     ...	1
Industrial Co-operatives.     ...     ...	7
Financing of Industrial Co-operatives.     ...     ...	17
Construction Co-operatives.     ...     ...	22
Proposed Organisation.     ...     ...	27
General Remarks.     ...     ...	38
Personal Experiences of the Author—Kangra Workers' Co-operative Society Ltd.     ...     ...	42
Further Personal Experiences of the Author —History of United Punjab Government's trial of Construction Co-operatives.     ...     ...	57
Appendix—Industrial Co-operation in India by Shri V. L. Mehta (Re-print from Indian Co-operative Review.)     ...     ...	66
Bibliography.     ...     ...	84



## INTRODUCTION

“Co-operation”, in the general sense, means working together for a common objective. It is concerned with free men in self regulated actions. It would not be Co-operation, if persons working together for a common purpose, were not free partners ; for example, the employment of a gang of labourers by a contractor, is not co-operation.

Co-operation is also not a form of charity, doling out relief to the weak and the poor. Co-operation is to charity what prevention is to cure. Co-operation, doubtless, deals with the weak, but it is the concern of the weak men for themselves, to combine and co-operate and thereby conduct the ordinary business of life, and try to lift themselves and others, out of weakness into strength.

A Co-operative Society is a voluntary union of persons, formed on a democratic basis. for the purpose of carrying out certain specified objectives—to supply its members with funds or services, to employ its members in producing goods, to sell the produce, to execute works or

supply labour, or to finance the activities of the members, or to combine any or all of these into one, and, at the same time, distribute the surpluses or profits on an equitable basis. It is highly essential to the Co-operative idea, that the society should keep its doors open to the weaker brethren and should, under no circumstances, try to achieve strength by injuring or neglecting them.

The members of a co-operative organization are bound implicitly by precepts of unselfishness, mutual help and public spirit, which no co-operative in any country has ever renounced. In a co-operative society, the members are prepared to admit to the benefits of their society, on proportionately fair terms, all those who, being of suitable character, are as weak as, or even weaker than themselves.

The co-operative organization, wherever it has taken root and flourished, has certain characteristics which distinguish it from all other forms of business activity. These are :—

- 1 Open membership.
2. One vote for each member, irrespective of the number of shares held by him.
3. Return of the surplus earnings to mem-

bers, in proportion to the amount of their patronage of the co-operative enterprise.

4. Limited return on members' investment, that is, share capital.
5. Absolute neutrality in religious and political matters.
6. Promotion of the education of the members, both professional and general.

Most of the organizations, which have departed from these principles, have failed or served no useful purpose.

A Co-operative is an unselfish organization, with the motto "Each for all and all for each." This is the direct negation of the individualistic "Each for himself", as well as of the communist, "Each for all and all for all."

The main peculiarity of a co-operative association is that it is voluntary, and that the members meet on a basis of perfect equality. This equality is assured by the rule of one vote for each member.

A co-operative, then, is not like a capitalistic society, where the owner or the owners employ workers, pay wages and appropriate the

profits to themselves. A co-operative utilises the profits, for equitable distribution, amongst the members, who help to make the profits. The success of "All for each and each for all" depends very largely on the initiative, guidance and control of the promoters and the degree of knowledge, intelligence, honesty, loyalty, sense of duty and the responsibility of the members of a co-operative society.

The worst enemies of Co-operation are vested interests amongst the members themselves and outside. In the early stages, the co-operative movement is further hampered by unpunctuality, inertia, factious proclivities, poor management and insufficient capital.

Besides, the industrial or the Producers' Co-operatives have to face the same problems as other ordinary producers—that of finding a market for their goods. A solution, for this aspect of the problem, will be to associate 'Consumers' Co-operatives' along with the 'Producers' Co-operatives.'

In China and Japan, where the Movement has been started only recently, the Government of the country concerned have given enormous

help, directly and indirectly. Similarly, for a complete success of the Co-operation in this country, the unstinted patronage of the Central and the State Governments, is essential. This postulates a correct organising of the Co-operatives in the first instance.







## **IMPORTANCE AND SCOPE OF INDUSTRIAL & CONSTRUCTION CO-OPERATIVES.**

So far, even with the present democratic government, the direct participation of the general public in the vital social activities has been very little. With the introduction of Co-operatives, in all spheres of public activities, the people will acquire a stronger voice in directing the affairs of the nation, which, in turn, will be for the greater good of all. The sense of frustration, which is prevalent at present among the public, will also be dispelled.

Co-operatives eliminate the distinction between employees and employers and develop a sense of brotherhood among the members of a community or a vocation group. They also bring the urban and rural classes closer, as both will appreciate the extent of their interdependence and the number of common problems they have to face.

No doubt, the British Govt. did start Co-operative Movement in this country, but it was confined to minor activities only and did

not touch the important fields of industry, engineering and education, wherein lies the effective solution of our economic problems and the real progress of our country. It was more of a window-dressing by a foreign government than real Co-operative Movement.

In recent years, expansion of governmental activities has resulted in huge expenditure of public money. The existing systems and their actual working in practice, have opened out several avenues of illicit income to officials, subordinates, contractors, suppliers, consumers and manufacturers. Real productive effort and efficiency have, therefore, now been thrown into the background, because these pay little or no dividends. Production, based on sound economic principles, is no longer a straight or honest proposition. People are spending their energies, not in doing what would make life more worthwhile, but in trying to obtain money somehow, through bribes, black-marketing, profiteering, etc. The pity is that these evils cannot be suppressed merely by laws and punitive measures. They can only be eradicated, by a change of policies and methods wherein such practices are not possible.

Industrial and Construction Co-operatives are such a system. They bestow a number of other benefits as well. These, if properly organised, can produce excellent results qualitatively and financially, and that, too, within a short period.

The Co-operative Movement, when rightly fostered, neither needs big expenditure nor leaves any loopholes for misappropriation of money.

Poverty, disease and high prices are equally hateful. Co-operatives give real freedom from these ills and, instead, bestow abundant life. These create an organisation of society, that places the advantage of even the best brains, at the service of the ordinary man.

The Co-operatives can play a most important and successful role in the economic uplift of the weak and the poor, and in the large scale beneficial employment of the unemployed, both educated and uneducated. This employment can further go towards productive effort, instead of replacing or swelling the ranks of the unproductive middlemen. Through these co-operatives, under State patronage, we can secure certain minimum standards of living for the

workers, and further obtain for those who sincerely wish to work:—

- (a) assured employment and proper living wages;
- (b) work according to their capacities;
- (c) work under approved conditions;
- (d) and these with the minimum expenditure of public money.

Such societies will not confine themselves only to provide work for the members, but they will also see to their economic betterment and do every thing possible to raise their standard of living. They will also give the workers a sense of duty, responsibility and self-help, besides minimising corruption and uplifting of their character in general.

In theory, everyone welcomes the formation of these co-operatives, but, in practice, stiff opposition is encountered from all vested interests simply because co-operatives and corruption cannot go together, as the former offer no chance for misappropriation of public money by different agencies.

Generally speaking, the aim of Co-operatives

Socialism and Communism is more or less the same and in all advanced countries the Co-operative Movement has acquired tremendous vitality. As a matter of fact, 'Co-operatives' is a peaceful alternative to revolution for attaining a more equitable economic system, or a socialistic pattern of society.

Co-operation is a democratic form of organization and ordinarily Co-operatives oppose political revolution, because of the destruction which always accompanies it. The Co-operative System, when once developed, can easily compete with and even oust the Capitalist System. Co-operation, in fact, is the true democratic answer to the existing evils of nepotism and favouritism, and is further the only way to obviate the pitfalls of dictatorship.

In progressive countries industrial and construction co-operatives are growing rapidly and are quite successful. A person, there, can live in a co-operative house, eat in a co-operative restaurant, buy his requirements in a co-operative store, can smoke co-operative cigarettes, can listen to a co-operative radio, can insure his life and belongings in a Co-operative Insurance

company, get his recreations in a co-operative health resort and so on. This indicates quite an extensive development of the Cooperative Services, which we have yet to learn and practise.

In the United States of America, Co-operatives have entered the field of big business, and they are no longer limited to small items. They manufacture all sorts of goods (carrying the 'CO-OPT' brand) like tyres, batteries, radios, etc., which are on sale throughout the country.

The Co-operatives in the Soviet Union are the largest in membership.

China has been built up on Co-operatives.

Let us, therefore, lift up our vision and bring in co-operative endeavour, both for production as well as for the execution of works.

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## INDUSTRIAL CO-OPERATIVES.

The first attempt, in industrial co-operation was made in the year 1844 in England, by certain workers in Mechanical Industry. It was not a planned attempt, but it came out spontaneously and was successful. Since then, industrial co-operation has developed considerably and promises a brilliant future.

An industrial co-operative is an employer. It is under democratic control, so far as its members are concerned, but its relationship to its own members is, of necessity, that of a profit making enterprise. Through membership, the worker in a co-operatively owned industry has the same right as any one else to a control in the management. The wages, in industries owned by co-operatives, are better than in corresponding private industries, specially when the co-operatives have become strong.

Here, in India, various factors have hampered the progress of industrial co-operatives. Apart from the British policy, which carefully precluded co-operation going into the domain of



industry, the country itself is not industrially developed, and the knowledge is poor.

The industrial co-operatives further need machinery, as any other industry. However, machinery is not easily available and even when available, requires a lot of money, which such co-operatives are generally unable to pay. Moreover, industrial co-operation requires intelligent and special type of supervisors and an organising head. These limitations restrict the scope of activities of these co-operatives.

With political independence in the country, the pressure of unemployment, the keenness of the Government to raise the economic standard of the people, and the availability of funds, not only can we go ahead with industrial co-operatives, but even the industrial development of India could be secured through industrial co-operatives; the unemployment problem can be fully solved and the economic standard of the people considerably raised.

Industrial co-operatives are particularly suitable for cottage and small scale industries which, in turn, would provide employment for the unemployed masses. It is admitted by all that

industrial development is the only solution of our economic problems.

Every industrial concern, whether a co-operative or not, is composed essentially of two parts — (1) Workmen and (2) Plant and Machinery. The word 'Workmen' includes brain workers as well as hand workers. Various forms of industrial co-operatives are possible :

1. Where manual work forms the major portion of the finished product :—

In such co-operatives, valuable articles can be made like matches, watches, etc.

In Switzerland the watches are, at present, mostly the product of co-operative cottage industries, which supply the various parts to big factories which, 'after test, etc., use these parts for the finished product. Toys in Japan are made on the same lines.

2. Where skilled workmen use machinery and where labour forms only a small percentage of the cost of the finished product.

Such concerns have small plants with electric power and technical mana-

gement. Cycle parts, razor blades, pharmaceutical machines, and other small articles and machinery can be produced in this way. Such concerns are common in Italy and Germany, where co-operative workshops compete with the best capitalistic concerns.

3. Where both manual labour and machinery form a small item, as, for instance, in chemical industries.
4. Where capitalist concerns form an association and entrust the management and sales, etc., to special technical boards :

This is done to get better conditions of manufacture and sale.

5. Where small industrialists unite themselves in order to get better conditions and compete in a better position with the big industrialists, in the purchase of materials and sale of finished goods.

Thus there are a number of alternatives and possibilities for industrial co-operatives. There is no general solution for an industrial co-operative society, but, according to different trades and circumstances in which the cooperatives can be engaged, we will have different types of industrial co-operative organisations.

As industrial co-operatives face the same problems as capitalist producers—that of finding someone to buy their goods—it is desirable to have the consumers' co-operatives also along with the industrial co-operatives, though it is not essential. The consumers' co-operatives provide a sure market and are usually prepared to purchase the entire output. Besides this, this system provides an automatic test for the quality of the goods produced and for the elimination of defects noticed, which, in turn, would ultimately improve the quality and thus firmly establish the industry. Incidentally, both industrial and consumers' co-operatives will represent an effort to collective bargaining to learn and reduce profits in our economic system.

The industrial co-operatives require initiative and can be solved by making a right approach. The workmen would like to be freed from the capitalist system. The co-operative system is not difficult to work and the results, as experience has demonstrated in other countries, can be the best possible. The problem of organisation of industrial co-operatives can be viewed from different angles, as every kind of industrial co-operative has its own solution, and

a solution that has been proved good in particular circumstances, may not be good for a similar problem in other circumstances.

The different industries which can easily be undertaken by co-operative-minded people are :—

1. Mechanical industries.
2. Match industry.
3. Chemical and pharmaceutical industries.
4. Electrical industry.
5. Toys industry.
6. Spinning and weaving industry.
7. Transport industry.
8. Cold storage.

Of course, this is not an exhaustive list.

### **Mechanical Workshop Co-operative.**

An outline of an industrial co-operative with a mechanical workshop is as under :—

The number of members has to be limited, otherwise some of them may not get work. We can fix this number at 15 to 20 only. The most difficult item in this case is the selection of the manager who, besides being hard-work-

ing, must have commercial and technical capabilities. The success of the society hinges mainly on the manager, who frequently is selected from outside the society. Generally, a graduate Engineer is the best person for this job.

The second step is to secure the minimum plant and machinery for the work. The machinery can be bought, if necessary, with the help of a long term loan from a Co-operative or State Bank, or otherwise, with Government help.

The manager of this co-operative and the two members elected in a general assembly will form the Technical Committee of the co-operative and to them will be entrusted the technical management of the society. The manager, jointly with the President, represents the co-operative towards the government and the public. The two also arrange for works, materials, etc.

The pay of every member is his average market pay, while, every three months, a bonus is paid in proportion to the working hours put in by the member. As an alternative, the members work on piece-work basis.

The manager, whether a member or not, ordinarily gets very little pay plus a percentage

on the amount of the work done, generally about 2 to 6 per cent.

The books of the co-operative are kept by an Accountant under the supervision of the Manager and the President. Two members of the co-operative are elected by the general assembly to audit the accounts. In the usual meetings, the clerk or the accountant is present without any right of vote and he writes the proceedings. Anytime, that the technical committee meets, the result of the discussion is written in the Minute Book and all the members of the committee have to sign it. The decision is taken by majority, but if there is any sound opposition, the member that disagrees has a right to call for an extra-ordinary meeting, when the case is discussed again and then a final decision taken. But, if even in the extra-ordinary meeting the viewpoint put forward by the dissenting member does not find favour with other members, he is automatically released from his charge and, in the same meeting, his substitute will be appointed.

The members and the President are entitled to get, besides any other bonus, 10% of the profits (all three together, to be shared by them equally).

## Electrical Co-operative.

Similar is the case with an electrical co-operative. The Manager, who can be an outsider, will have the technical and commercial control of the co-operative. The Managing Committee is composed of the President, the Manager and one elected member (in rotation). They are responsible for the technical organisation of the co-operative for the execution of the work. The rest of the organisation can be similar to that of the mechanical workshop.

This system is new to India. Hence, to begin with, start should be made with only one co-operative in each branch, so that no wrong step is taken till sufficient experience is gained. This model co-operative, with the modifications which experience will necessitate, should be the fundamental nucleus from which similar other industrial co-operatives should follow.

To begin with, we suggest five industrial co-operatives :—

- (1) A mechanical workshop co-operative with machinery to manufacture cycle parts, etc.



- (2) A razor blade reconditioning and manufacturing workshop.
- (3) A match factory co-operative, in conjunction with a splint and veneer manufacturing plant.
- (4) An electrical co-operative for repairs of electrical appliances, motors, installations, setting up new plants, etc.
- (5) A pharmaceutical co-operative, manufacturing ordinary medicines.

These five co-operatives should form a union and the union will manage their business, their finances and their technical problems. The union can also secure work from the government and the public.

It must be stressed that co-operatives can be strong only if they are federated into Unions and Federations. It is, therefore, desirable to have an integrated central organisation, controlling various co-operatives, as given in a later chapter of this book.

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## FINANCING OF INDUSTRIAL CO-OPERATIVES

Lack of finance has been a great stumbling block for artisans and their societies. When workers organise themselves into an industrial co-operative for carrying on an industry, the difficulties in regard to finance are very great and real, as the society would require large and long term funds for the purchase of machinery, etc., and also large amounts of medium-term and short term funds for working capital. Finance is usually required for :—

- (1) Purchase of tools and machinery, land and buildings, fixtures for workshop, godowns, etc;
- (2) Purchase of raw materials;
- (3) Payment to labourers, when goods are in the course of production, and
- (4) Stocking of the finished products, until they are sold.

Finance for (1) has usually to be long-term, while finance for (2), (3) and (4) would ordinarily be medium and short-term.

An industrial co-operative generally is not able to secure finance from an ordinary financing agency, unless it can offer adequate security in the form of share-capital and reserve fund or in the form of equipment and immovable property owned by itself.

Raw materials are required, from day to day, for the purpose of production and cannot therefore be pledged. Moreover, sometimes members produce goods in their own homes and so raw materials have to be in the possession of the members. The raw materials, therefore, may not be a sufficient security for the loans in the eyes of the financing agencies. According to ordinary business requirements a co-operative society has to find money out of its own share capital and reserve fund, but this is usually not possible in its initial stages.

As regards item 4, the position is not so difficult as in the case of the other three items. But, all the same, it is not always possible to keep the goods in the possession of a Bank till they are sold and the Bank may not consider the goods as a sufficient security for its loans. The selling organizations, with which some of

the finished goods may have to be kept, may not be in a position to give advances on the goods sent to them for sale. In the case of a number of industrial co-operatives, therefore it would not be possible for them to depend on adequate advances from Banks against item nos. 2, 3 & 4.

In other countries the agencies which have stepped in to make funds available to industrial co-operatives, at least in the initial stages, have mainly been —

- (1) Consumers' Societies,
- (2) Trade Unions,
- (3) Semi-philanthropic bodies and individuals, and
- (4) Government.

In India, government will have to do a great deal to provide finance to the industrial co-operatives. It has to grant subsidy as well as long and medium term loans to them. Government can also give a guarantee to financing-agencies or to Scheduled Banks, to enable, particular or specified type of societies, to raise loans within specified limits for specified purposes. Sympathisers and other co-operative societies

can help by joining as members and by subscribing to the share capital of industrial co-operatives, unions and federations.

Such finance (except when it comes from consumers' societies) should, however, be always treated as a temporary expedient, and industrial co-operatives should be enabled to establish, as early as possible, regular business connections with regular financing agencies.

Financing agencies, therefore, are considered extremely necessary for industrial co-operatives. Government can help by (1) establishing industrial financing corporations, and (2) subscribing to the share capital.

The Reserve Bank of India and State Bank of India can play an important role, in providing funds to the financing bodies for operation of industrial co-operatives by suitably amending its rules for the purpose. Cottage and small scale industries occupy a very vital place in the national economy. In consequence, the Reserve and the State Banks should not remain idle, while such industries starve for funds or have to raise them at high rates of interest.

Ultimately, it is essential that industrial co-operatives should build up, as early as possi-

ble, their own funds to such an extent that they may not require any outside finance or, in any case, have sufficient share capital and reserve fund to offer to financing agencies as security. For this purpose, the members should go on making small savings regularly and crediting them in their societies. This can be done in the following ways :—

- (1) Deduction of a certain portion of the wages to the members, say one anna per rupee, and giving them shares instead.
- (2) Adding a certain percentage to the value of raw materials supplied to members, say six pies per rupee and building up a reserve.
- (3) Crediting the whole or part of bonus to be distributed to the members, under the societies' bye-laws, in the form of shares.
- (4) Subscribing for additional shares at regular intervals by members, and
- (5) Encouraging members to keep regular deposit accounts with the society.

## CONSTRUCTION CO-OPERATIVES

A construction co-operative or workers co-operative is a special form of co-operation. Here, the members take over functions which are performed by firms or contractors, but not under conditions of employment which satisfy the workers concerned. A workers' co-operative society is structurally a capitalistic concern, in which there is no employer, for the employees are their own employers, working under a self-appointed leader. The workers' society offers an alternative to the normal type of contract system, which, from a business point of view, achieves business success. At present, many big projects are being planned and executed, but the human aspect of engineering, namely, the organisation of man power is totally forgotten. Being an organisation for the execution of works, it is a problem for the engineers and, where successful, it dignifies their own position and strengthens the position of the workers.

Other countries have not only planned and executed big projects, but have also planned

this human aspect of engineering, i. e., the organisation of man-power. Their engineers manage such co-operatives.

At the present moment, there is the greatest need and the opportunity for the establishment and growth of workers' co-operative societies, but, in order to secure their full usefulness, they have to be properly organised.

A co-operative system enables contracts to be completed at a considerably smaller cost than when the middle man seeks maximum profits in the contracts. With the same money, therefore, and with higher wages to each employee, public bodies can undertake more work and therefore provide more employment.

In Italy, it is really surprising what elaborate contracts are undertaken by co-operative societies, individually as well as in combination. Unions and federations of societies employ well qualified engineers. They can take the whole responsibility of any engineering job in the country, from the simplest road making to the most elaborate buildings, bridges, etc. There is no limit to the value of contracts, subject to the approval of the Ministries of Labour and Public



Works . The overhead expenses are thus very economical, and there is no highly expensive Public Works Department, as it exists in India.

The construction co-operative has generally an engineer who manages its affairs and, where necessary, the Union, that is the association of all the co-operatives of production and labour of a region, despatches one of its own engineers to assist and direct the works. In big jobs, the federation carries out this function.

Similar organisation can be created in India with equal advantage and benefits. Taking the case of a typical co-operative, the value of a share may be Re. 10/-, payable at the discretion of the shareholder, subject to a minimum monthly instalment of Rs. 1/-. The liability will be limited. No member may hold more than 100 shares. The society may not have, ordinarily, more than 300 members.

The co-operative will be managed by an Executive Committee, consisting of an elected president, a works supervisor, a secretary and 5 members. The works supervisor and the secretary will be appointed by the union, with

the approval of the federation. The president and the 5 members elected out of the workers, will form the majority and will be in charge of the general policy and the non-technical affairs of the society. The works-supervisor and the secretary will look after the technical side, including the control of contracts, distribution of works, disbursement of salaries etc.

The co-operatives should generally be composed of members of one trade or one branch of a trade only. This is desirable in order to ensure solidarity, discipline and compactness.

For purposes of discipline and convenience of management, the workers will be placed in groups, each of about 15 men each. At the head of each group will be a foreman, nominated by the Executive Committee, subject to the approval of the General Meeting. This foreman will be responsible for the supervision of the men and for the preparation of the muster rolls. There will be a provision in the bye-laws for expelling men from the co-operative for serious cases of misconduct.

The distribution of profits in a co-operative may ordinarily be made as under:—

Bonus to workers	50%
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Dividend fund	15%
Tools & Equipment	10%
Amenities and medical	10%
Education and training	10%
Accident and unemployment	
Insurance	5%

The funds can be supplemented by grants from the union or the Federation.

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## PROPOSED ORGANIZATION.

It is obviously impossible for a single co-operative to undertake any large contract or manufacturing work or even to look after itself properly. Therefore, to secure efficient and business-like management and to give stability and strength to the co-operatives and to form their backbone, a union will have to be formed by all the co-operatives, existing within its region. Similarly and for identical purposes, a federation will have to be formed by all the unions, existing within its area.

Thus the basic unit in the co-operative system is the co-operative itself whose membership may range from 10 to 300 members. Two or more co-operatives of the same or akin trade form an union, and two or more unions, constitute a federation. The union controls and co-ordinates the work of the co-operatives and helps them with technical assistance: the federation controls and co-ordinates the unions' work, assisting them financially, while technically, it undertakes big manufacturing progra-

mmes, contracts, works, quarries through the co-operatives and unions.

In the primary society, the technical supervisor is appointed by the union to which he is responsible. He is also responsible to his own society, of which an outline has been given in a previous chapter.

### Unions.

The Unions' governing body will consist of elected members and appointed members. The total number of the elected members will correspond to the number of the co-operatives, each co-operative having one seat in the union's governing body. From the elected members will be chosen the president, the vice-president and the councillors. The appointed members will be the manager-engineer or technical expert, two assistants and an assistant registrar or an inspector of co-operative societies. The secretary will have no vote.

The Union's capital will consist of one-fifth of the share capital of the co-operatives, to be contributed by them, and of Rs. 100/- for every

100 members of each co-operative. The Union will, in addition, receive 10% of the amounts of works.

The net profits of the Union will be divided as under:

50% to the co-operatives, to be distributed towards various funds.

25% to the Provincial Federation for purchase of tools, equipment and machinery or to finance contracts etc.

25% to the Union Reserve.

The principal duties of the Union's governing body will be:—

- (a) to assist the co-operatives in securing work, supplies and technical direction.
- (b) to engage and dismiss work supervisors, secretaries and clerks of the co-operatives, subject to the approval of the federation.
- (c) to undertake works and allocate them to the co-operatives, under the guidance of the federation.
- (d) to purchase or hire materials, machinery, tools and plants, etc: required for the works with the approval of the Federation.

- (e) to arrange loans and to finance the execution of the works, with the help of the federation.

The Union will have the right to inspect the member societies and their records.

### The Federation.

The Fedreation will be formed by the Unions, each Union contributing one tenth of its own share capital to the Federation.

The Federal Board will consist of an ex-officio President, two ex-officio Vice Presidents, one elected Vice President. Federal Members elected by the Unions—one by each of the governing bodies, the Director of Cooperatives who will organise the whole scheme, two Advisers on technical and cooperative problems, to be appointed by the Director, and two qualified Engineers, to be selected by the Director.

The Federation's functions will be—

- (a) to co-ordinate and control the Unions' work, and assist them financially.
- (b) to undertake large works affecting several Unions or in an area where there is no Union.

(e) to work quarries, kilns, workshops, heavy machinery, tools and plant, etc.

(d) to manage beneficent funds for the workers.

(e) to prepare bye-laws, concerning the affiliated societies.

(f) to inspect the Unions and Co-operatives and their records.

(g) to appoint or dismiss the personnel of the Federation itself, of the Unions or of the Co-operatives.

(h) to arrange loans and get official and financial support from the Government.

5% of the profits of the federation will be devoted to social and beneficent funds, for the benefit of the members of the affiliated societies, the remainder will go to the reserve.

The Federation will arrange and maintain a staff of technical experts, engineers, work supervisors, clerks etc., required for the organisation. The technical direction and control will lie with the Director, who will initially build up the organisation. Special machinery will normally be arranged by the federation and the



Unions. The federation may have, at its disposal, a special mechanical co-operative to work heavy machinery, All payments by the government will be received by the federation, which will see to their proper disposal and to the payment of any special awards, bonuses etc.

• Thus, we see running through the whole system, the building up from below, and the strong direction from above downwards, at each level of financial resources, through technical experts and engineers, with comprehensive planning at the top, and an emphasis on discipline, essential social welfare and creation of provident funds.

As a special branch of the Federation can be the Building Cooperatives Union, whose aim will be to build houses for the members, with payment by instalments, in 25, 30 or 40 years, combined with special Insurance Policies. This will enable good housing accommodation for the members, the monthly rent being much less than the ordinary rent for similar type of accommodation.

The above is an outline of the proposed organisation for the cooperatives; an organisa-

tion, sound financially and technically, together with comprehensive and expert advice, efficiency and flexibility and scope, for extensive employment. There will be little scope for corruption here, in this organisation, as it is an open and cooperative frame-work, with no chance for any two individuals (as for instance, an officer of the Government and a contractor or supplier) to join hands and cheat the Government.

Through a proper organisation of co-operatives, as outlined above, in which corruption has no scope to flourish, the following services will also be rendered:—

- (1) Promotional—helping to start cottage industries to make available appliances and machinery, and, in general, to render services, wherever requested.
- (2) Consultative—to be made available to individuals, firms and institutions, on industrial processes and other problems of production. Consultative service of a routine nature can be free of charge, so that even the poorest may come with their problems. For extended services, moderate charges can be levied, accor-

ding to the amount of work involved, which will be credited to the general funds of the co-operatives to defray expenses.

- (3) Employment—directly employing the needy persons on jobs for which they are suitable, on a cooperative basis. in production, construction and maintenance works, for which, at present, very expensive, elaborate and inefficient Public Services, so-called Beneficient Depart-ments, are maintained by the government, on a system introduced by the British for their own purposes, long ago. The system does not prevail even in England.
- (4) Training—to train artisans and skilled workmen, for cottage industries and cooperative services. There are, already in existence a number of training institutions of various types run by the Government, but most of them are highly expensive with little out-turn, are run by highly paid mercenary staff, while the utility of the persons trained is doubtful. Such institutions, in due course of time,

can be converted into useful institutions. It should then be possible directly to employ the men trained, in the cooperatives.

(5) Research—to develop and make available new appliances, processes and materials, for cottage industries and construction and maintenance works. Royalty and profit money, where levied, can be used for expenses and the expansion of technical services,

(5) Literature—to be printed on various industries, modes-of construction, giving processes, facts and figures, cost sheets etc.

Thus the whole organisation can form a strong economic and Social Movement. To this end, it will issue literature and, otherwise, engage in mass education, for the development of cottage and small scale industries, and suitable housing accommodation.

For ready reference, the general outline of the organisation is given below:—

## FEDERATION

I Federal Board	Functions.
(a) President	Control and Co-ordination,
(b) 3 Vice Presidents.	Finance & Loans, Quarries & Kilns,
(c) Federal Members	Workshops, Tools & Plants, Large Contracts,
(d) Director	Various funds,
(e) 2 Advisers	Byelaws,
(f) 2 Engineers	Establishment,
(Secy. without right of vote)	Contacts with Govt. departments, etc.

## UNIONS

## II. Governing Body.

(a) President	Control and Co-ordination,
(b) Vice President.	Finance and Loans,
(c) Councillors	Machinery, tools and plant,
(d) Manager-Engineer	Materials,
(e) 2 Assistants	Contracts,
(f) Asstt. Registrar	Establishment,
or Inspector,	Execution of works,
Co-op. Societies.	etc.
(Secy. without right of vote.)	

**CO-OPERATIVES****III Executive Committee.**

- (a) President. Execution of works.
  - (b) Vice President.
  - (c) 5 members.
  - (d) Works Supervisor.
- (Secy. without right of vote.)
-

## GENERAL REMARKS.

In a country, where the co-operative movement is in its initial stages, it has many problems to face. These problems are both internal as well as external.

The internal problems originate in lack of knowledge of co-operative technique, not only amongst the prospective members, but even in Govt. Departments, which, sometimes, results in a confusion between the real aims of a co-operative and those of a commercial undertaking.

The external problems are due to the resistance, sometimes active and sometimes passive, of the several vested interests and officials and even from unconcerned people, who believe that the co-operative movement is endangering their interest. This has, generally, resulted in a struggle between them and the young co-operative movement. The Government should have the strength to support the co-operatives, by watching them carefully and spreading the knowledge of co-operative principles among the people. In

India, the real importance of a strong Co-operative Movement has still to be appreciated.

In other countries, National Co-operative Movements are developing with the full support of the government, and regional and national federations of co-operative societies are formed. The advice of the co-operatives is, generally, sought in laying down various policies. Special departments are established at the instance and encouragement of the co-operatives, whose enlightened advice is usually found to be of great value. Highly competent staff is engaged on co-operative research and survey. Valuable lectures on co-operation are given and the co-operatives are helped with advice and supervision.

As a matter of fact, people must understand what a co-operative is and what it can achieve, before they will really be loyal to it. A successful co-operative is the best educator. On a small scale, members of the co-operatives have to solve various economic and social problems which train them for more complicated problems of national importance. The only way in



which democracy can survive is to develop the co-operative ideal to the limit.

The internal structure of a co-operative society, based on democratic principles, educates the members for self government, helps them to understand and to solve their own problems. The improvement of economic conditions gives the members more self confidence and makes them more constructive citizens. It is not an accident, that all advanced countries have an extensive and highly developed system of co-operatives ; once the co-operative movement is guided by sound principles and practices, the growth of the co-operative movement is sure.

An organisation, as outlined in this book, will give to every man a high sense of responsibility and increase his knowledge of civic duty, because he will feel that he is working for himself and for other members collectively and not for a private capitalist. When, in every town of India, the industrial co-operatives will be flourishing, a great progress will come about and India can call herself a free nation, because her freedom will, then, be founded on econo-

mic freedom and a high standard of living for the masses. Her freedom will, then be founded upon the brains of her intellectual people as well as on the hands of her industrial workers.

It might be once again stressed that as co-operation will grow, bureaucratic machinery and capitalism will decline in importance and, with it, will also shrink the huge administrative expenditure, corruption, black-marketing, etc. The beneficent departments like agriculture, industries and public works, will all become absorbed in the Co-operative Movement, excepting a few officials in the form of technical boards.

Furthermore, important problem of unemployment and economic uplift of the masses can only be solved by developing cottage and small scale industries and also by stopping the huge drain of our national wealth and our dependence on foreign concerns through motor transport and other big foreign vested interests working in India.

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a direct means of raising the standard of living of the workers.

With these preliminary fundamental facts, the author made a careful investigation and search for a solution and, in consequence, formed the Kangra Workers' Co-operative Society in the year 1943, and registered it with the Assistant Registrar, Co-operative Societies, stationed at Dharamsala (District Kangra).

**Membership :—**Any one could become the member of the society. Government employees could also become members, subject to the Government Servants' Conduct Rules. Such members were not paid anything by the society, but could work, in an honorary capacity out of free choice. The Executive Engineer, and the Sub Divisional Officers held no shares and were taken as honorary members. The author was the Executive Engineer, who initiated and organised the society.

**Capital :—**The working capital required was derived from the sale of the shares and could be further supplemented by a loan from the Co-operative Bank. The value of a share was Rs. 10/- only, and could be paid up at the dis-

cretion of the members, subject to a minimum monthly instalment of Re 1/- per share.

The Society was practically a Labour Society and provided a suitable organisation for the execution of works. It could also recruit skilled and unskilled labour, from outside for carrying out its undertakings, but this was not encouraged. The Society, as an organised body, eliminated the disadvantages of both daily labour and contract methods of work. Loose control and excessive rates were both avoided, and savings went to help the members in different ways, such as for providing education, maternity benefits, recreation and other amenities to workers and their families.

The Society, for the execution of a work, deputed a Works Supervisor ( who was a member or who became a member of the Society) in-charge of the work, under the direction and control of the President. The attendance was kept in a muster roll, and the basic pay or market rate was marked against each name. At the end of a week or a month, as the case may be, the amount of work done according to the contract rates, was measured and calculated,

the amount of the basic wages was also worked out. The difference between the basic wages and the contract amount was the profit and this was generally divided as under:—

- (a) 10% of the contract amount went towards the Society's Reserve Fund. This helped to build up the Society's funds and incidentally removed the objection of unfair competition with contractors.
- (b) Half of the balance was allocated to the member workers, in the form of a bonus, proportionate to the wages earned.
- (c) The remaining half was distributed amongst various funds like maternity, education, unemployment, charity, recreation, bee-keeping, etc.

The system worked so successfully, that any work which was not taken up by a contractor, at reasonable rates, could be executed through the Society in a most satisfactory manner. The existence of this Society even enabled the author to repair and replace breached portions of his roads for the visit of His Excellency the Governor to Kangra district, at a very short notice,

just after the monsoons, when many heavy land-slides and damages had occurred. Within a week, a completely washed out bridge (24 ft. span) was reconstructed and a new length of road was put in at the spot from where the original one was washed away. The works were done very cheaply.

The financial benefits to Government from Society's working were considerable. Two instances are given below :—

- (i) Collection of soling and wearing coats between Urla and Darang under the estimate of Reconditioning Ghata Mandi road.

The estimated rates and those actually given to the Society are given below :—

Mile No.	Estimated rates per % cft.	Rates paid to the Society per % cft.
Wearing Coat.		
19	9/8	6/-
20	9/8	6/-
21	11/8	7/8

## Soling Coat

19	8/-	4/-
20	8/-	4/-
21	10/-	5/8

On work orders  
in favour of the  
Kangra Workers'  
Co-operative So-  
ciety, Ltd.

The society thus saved to the Government Rs.5427/- from the estimated amount of Rs. 12, 901/-.

On the contrary, in the absence of the Society, the following rates were paid to the contractors :—

Mile No.	Estimated rates Per % cft.	Rates paid Per % cft.	Reference
Wearing Coat			Vide lowest
12	9/8	14/1	tenders
13	11/8	17/-	received.
14	9/8	14/1	
15	9/8	14/1	
16	9/8	14/1	
17	11/8	17/4*	*Approved by Supdg. Engr.
Soling Coat			Vide lowest
12	8/-	11/13	tenders
13	10/-	14/13	received.
14	8/-	11/13	*Approved by Supdg. Engr.
15	8/-	11/13	
16	8/-	11/13	
17	10/-	15/-*	

This meant an excess payment of Rs. 8,366/- (about 50% premium) over an estimated amount of Rs.17, 285/-.

This handsomely illustrates the point in issue.

## (ii) Pathankot Bajri Collection.

This was managed within 30% premium, while 70% and 75% premium was being paid for the same stuff, at the same time, and at practically the same place, near Chaki, in an adjoining division. This gave a difference of, at least, 40% in rates for exactly similar work. Thus, in a division, where the cost of collection was about a lakh of rupees, the saving to Government could easily be about Rs. 25,000/- on one item only.

The above instances show what could be achieved and what was actually achieved, by the Punjab P. W. D., through such co-operative bodies. The very presence of such a society keeps down the rates and improves efficiency in the execution of works.

Apart from the execution of contracts, the society inculcated and created a sense of duty



responsibility, efficiency and discipline among its members. Every workman puts forth extra effort, on account of benefits from the society. In this connection, the following remarks by the Superintending Engineer, III circle, in one of his inspection notes are worth perusal :—

“I am much impressed with the working of the Kangra Workers Co-operative Society Ltd., on the hill roads in this division. I understand from the Executive Engineer, that he has put in all this extraordinarily good progress at a much reduced cost by planning out well ahead and educating his gangs to attend to their work methodically, and making them realise their responsibility for proper condition of their beats. The cost of retaining walls has also been reduced by the Kangra Workers' Co-operative Society Ltd. by eliminating middleman's profit. The planning of the work—original as well as repairs—in this division is noticeable and I again congratulate the Executive Engineer for his foresight, his economic working and planning out his works ahead.”

Similar results of good training of the workmen are borne out by the following extract from the same inspection note:—

“In spite of the heavy rains, which overtook me at Kangra, I was able to motor on this road at a speed of 15-20 miles, per hour, which is very creditable for an unmetalled road and I must congratulate the Executive Engineer for all this. I had a similar occasion to inspect this road during rains two years back, but could not proceed thereon and had to come back.”

The Kangra Workers, Co-operative Society Ltd., attempted to make life more worth living for its members. During the short period of its existence and in the very first year of its life, the Society achieved extremely successful results. It helped the labourers to get out of debt and torn dirty clothes, and provided them with working tools, free of cost. The Society provided a foolproof arrangement against corruption, being nobody's personal concern, and getting the accounts audited by the Co-operative Department.

The Registrar, Co-operative Societies (Mr. I.E. Jones, I.C.S.) was greatly impressed by the experiment and remarked that a system, which utilizes the Co-operative method to efficiency and economy in expenditure, while simulta-

neously strengthening the economic position of the labourers and increasing their contentment, has very great possibilities and was obviously a significant development which deserved to be carefully watched and fostered. He further stated :—

“The ideal situation, no doubt, would be one in which co-operative labour societies of this kind would manage their own affairs quite independently and would compete on level terms with contractors in tendering for contracts. It is evident, however, that without appreciable advice, encouragement and sympathy from official sources, particularly in opening stages, these societies are not likely to make such progress or even to survive. The members are weak in individual resources and without some official support, are not likely to produce the cohesion, the internal discipline and the competent management which they need if they are to work efficiently and compete successfully with the commercial contractor. A co-operative organisation of this kind makes a frontal attack upon various vested interests which are not slow to realise the effect and to retaliate. Since co-operative organisation offers probably the only.

method by which weak individuals can combine and ultimately defend themselves against exploitation, it is the policy of Government and the special function of the co-operative department to foster all legitimate attempts at co-operative organization, particularly where, as in the present instance, the co-operative method is likely, in the long run, to produce more efficient and economical performance of work.

“The organization of labour and petty industries on co-operative lines will be an important factor in providing employment for returned soldiers after the war and every effort should be made to encourage co-operative venture of this kind.

“For these reasons, I feel that the Kangra Workers’ Co-operative Society, Limited, is an important experimental development which Government should study closely and warmly encourage.

“During the present early stages of the society it seems advisable to continue the arrangement under which the Executive Engineer and the Sub-Divisional Officers are ex-officio President

and Vice-presidents of the society. The suggestion that these activities are contrary to the Government Servants Conduct Rules is in my opinion quite devoid of force so long as these officers do not hold a share in the society, so that they cannot partake either in dividend paid on share capital or in any bonus paid on wages. A very similar position is held by those Deputy Commissioners who are ex-officio presidents without being shareholders of Central Co-operative Banks. District Officers have held this position in the majority of Central Banks for many years and the arrangement has contributed appreciably to the credit and progress of the Co-operative Banking Movement.

“There is a little more weight in the criticism that a conflict of interest may sometime arise and the Executive Engineer find his duty as a Government servant in conflict with the claims of the society which, as its president, he also has a duty to promote. I do not think that this difficulty is insoluble or that it should be allowed to hinder this important experiment. In theory a similar dilemma faces the Deputy Commissioner whenever he had to decide in some other capacity (e. g., as Chairman of the

Red Cross Committee or officer-in-charge of a Court of Ward Estate) whether or not to deposit funds in a Central Co-operative Bank of which he is the President, or when the question arises of using the services of a Co-operative Bank for the distribution of controlled commodities. In practice, these considerations do not prevent the Deputy Commissioner from fulfilling his duty properly, and I feel that safeguards can easily be devised to surmount this difficulty."

It may be mentioned that no Government servants were employed in a paid capacity. Unfortunately, however, the introduction of Construction Co-operative Societies in place of contractors is, normally, not relished by the P. W. D. staff and the circumstances for their independent growth are generally not congenial. The Society, therefore, passed into oblivion, although the organisation had passed the initial experimental stage and, if developed, could have easily reduced Government expenditure on public works by at least 25% resulting in saving of lakhs and crores in post-war construction.

Subsequently, even without such a society, the basic principle and the incentive for indivi-

dual effort, were utilised by me in a system which I adopted in the construction of a section of the Motor Road round Simla. The work was expedited and considerable savings accrued, while labourers received much higher wages than they would have obtained and the work has been appreciated by His Excellency, the Governor of the Punjab in his visit. Moreover, the quality was kept up and there has been practically no collapse of any retaining wall so built. The system was subsequently employed in the construction of the Government College, Chemistry Block, at Ludhiana, with considerable success. This halfway system, however, has its limitations and is not of universal application.

The Construction Co-operatives have vast potentialities and, under proper organization, can be very useful for employment of demobilised personnel and the unemployed.

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## FURTHER PERSONAL EXPERIENCES OF THE AUTHOR

### *History of United Punjab Government's Trial of Construction Co-operatives*

It was early in October 1946, that I took over my duties at Lahore, as Officer on Special Duty, to organise the Construction Cooperatives under the Registrar, Co-operative Societies, Punjab, Lahore.

Before I joined, the Registrar had insisted that there should be one Assistant Engineer and one Assistant Registrar for each Society, as President and Secretary respectively, which meant that these two posts should be held by officials. Outright I disagreed with this view.

I also found that the Registrar had laid down certain conditions for giving a trial to the Construction Co-operative Societies. A few of these conditions were:—

- (a) The Societies would require funds on a fairly extensive scale.



- (b) It would take sometime, before this work could develop on sound lines, and sympathy and assistance of the P. W. D. would be very necessary all the time.
- (c) Care should be taken to fix the rates reasonably and the same should not be fixed by cut-throat competition.
- (d) Societies would require certain amount of staff, technical and clerical.
- (e) Mr. Champa Lal ( the author of this Pamphlet ) should be sent to the Co-operative Department for a year, to start with.

The Registrar, Co-operative Societies, also stated, that, generally speaking, the attitude of the P. W. D. towards these Societies was not very sympathetic and the reasons for this were not far to seek.

I laid down no conditions, but simply asked for the allotment of works to be executed, at the lowest tendered rates and a small amount of funds, viz. Rs. 5000/- for preliminary expenses.

I submitted to the Registrar, my draft bye-laws in the middle of October, 1946. These

were based on those of the Kangra Workers' Co-operative Society, Ltd., which had already been once passed, and they were within the Co-operative Act and the rules framed thereunder by the Punjab Government.

By the middle of November, I was ready with my Societies to start work at Gurgaon, Rupar, Chandigarh, Ludhiana, Lahore and Gujranwala, and I requested all the Chief Engineers, in Buildings and Roads and Irrigation Departments, to give some works to the Societies for execution at these places. But, strange to say, no work was made available for a considerable time.

When the Financial Commissioner, Development, was approached for funds and works, he wrote back that it always took time in getting through various arrangements and that to start a new venture was always a difficult matter.

On 22nd November, 1946, the Secretary, post-war Reconstruction, pointed out that, "So far Mr. Champa Lal has been unable to get going in the formation of Societies, owing to lack of funds and certain administrative

difficulties." He further said, "The formation and running of these Societies is purely an engineering problem and the only interest of the Co-operative Department should be to assist Mr. Champa Lal, in framing rules of Societies within the Act, registering these Societies and inspecting their accounts, in due course." He also stated, "It is necessary to provide funds for tools, equipment, tentage. I suggest that an initial grant of Rupees 2,00,000 might be made."

The approved scheme was received on 26th November, 1946. and, prior to this, I could do nothing whatsoever.

In the middle of December, 1946, H. E. The Governor wrote to the Premier that the Chief Engineers should be ordered to allot some works, at the lowest tendered rates, otherwise the departmental obstructions would detract them.

In spite of this directive from the Head of the Province, and several direct approaches, no work was forthcoming from the P. W. D. On the 11th of January, 1947, I specifically requested for the allotment of work on Barara

Sadhaura Kala Amb Road, which was then available, at the lowest tendered rates. This request was further followed by a number of reminders, but with no result.

On the 14th of January, 1947, a communication to the Registrar, Co-operative Societies, from the Under-Secretary, Development, was received that, "Officer on Special Duty may, for the present, be given a permanent advance of Rs. 100/- from your contingent grant, which may be recouped as the money is spent by him."

So I received the paltry imprest of Rs. 100/- for a big scheme of Construction Co-operatives for the employment of thousands of ex-service-men. This imprest amount was disbursed, but it was never recouped. So it just became a grant of Rs 100/- only which was never repeated.

Ultimately, in the middle of February, 1947, some work was allotted to Lahore and Rupar Societies, but more work was needed, and I again wrote to the Secretary, post-war Reconstruction, that I must have sufficient works

for execution by the various Co-operatives.

By the 20th of February, 1947, the Societies at Rupar, Lahore and Gujranwala started working with their own resources.

Early in March, 1947, Civil Disturbances broke out in Lahore and other places and the progress of Societies suffered a serious set-back. A meeting of Gujranwala Society fixed for the 15th March, 1947, had to be given up on account of the civil disturbances.

In a meeting, held in the end of March, 1947, and consisting of the Regional Director, Resettlement and Employment, S. R. L. O., and myself, the difficulties, in the way of the Co-operatives due to the delays, etc., were reviewed, as also the progress so far made by the Co-operatives.

The following progress was noted:—

**Gujranwala Co-operative**—Had 70 members, out of which 65 were ex-servicemen, had a subscribed capital of Rs. 12120/-, but was given no work. In consequence, it had directed its attention towards industrial activity.

**Lahore Co-operative**—In addition to Government work, had started a brick kiln.

**Rupar Co-operative**—Had a membership of 124, out of which 105 were ex-servicemen. The Rupar Society, in addition to small work from Government, undertook work from other contractors and private bodies at rates much less than what were paid by the Government, and carried them out successfully. From the Government rates, the saving was 25 to 30 per cent. nearly. For instance, for earth work, Rs. 7/8/- $\frac{1}{100}$  cft. was spent against Rs. 11/8/- $\frac{1}{100}$  cft. received. Similarly, for stone collection, Rs. 16/- per  $\frac{1}{100}$  cft. were spent against Rs. 22/- per  $\frac{1}{100}$  cft. received. The Rupar Society was anxious to have much more work, but was not given enough work.

**Hoshiarpur Co-operative**—This Society was just formed at Hoshiarpur, with a membership of 204, all of whom were ex-servicemen.

On 31st March 1947, the last day of the financial year, Rs. 30,000/- were sanctioned by the Government, as the first instalment, for the purchase of tools, plant and equipment. The

working capital for the Co-operatives was still not received, nor were the Societies registered, although certain Societies, had started functioning with their own subscribed capital.

Soon after, in the later part of April, 1947, the Scheme was totally abandoned by the Punjab Government. Various interests, jealousies and circumstances played their part and the young promising Movement came to an untimely close. To crown all, Civil Disturbances took the field and soon after, Pakistan with the unprecented holocaust came into existence. It cannot be gainsaid that if the scheme had continued longer, it could become an excellent means of absorbing the unemployed in large numbers.

It may be mentioned here that inspite of these adverse forces at work, Lahore and Gujranwala Societies continued functioning for sometime, with what ultimate result, is not known, as they fell in Pakistan. The Rupar Society continued, but changed its name. Its Secretary came to me later for advice.

Any new scheme deserves to be tried for a sufficiently long period, not less than a year, in

any case. A meagre period of six months, spent mostly in Government sanctions, red tapism, fight against vested interests and growth from infancy to manhood is wholly inadequate for judging the results of the Co-operative Movement.

An irresistible inference, from the above experience, is that such a movement should never be attached to an official department. In spite of the best efforts of highly placed personages, such schemes end in fiasco.

So far as the ultimate success and utility of the Co-operatives is concerned, there appears to be not the least doubt, that they can function in India just as successfully, if not more, as in other countries. What is sauce for the goose is also sauce for the gander.

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## APPENDIX

*Re-print-Indian Co-operative Review-  
July-Dec.1946*

### INDUSTRIAL COOPERATION IN INDIA

BY

VAIKUNTH L. MEHTA.

Of the present day questions that absorb public interest everywhere, one of the most prominent is the structure of our industrial organisation of the future. No scheme of national planning can be deemed complete if it ignores this all-important aspect of our national life; and for this reason, the National Planning Committee, constituted by the Indian National Congress, devoted much attention to the divergent claims of large scale and small scale industries, of centralized and decentralized production, of State and Co-operative enterprises, of industrial and agricultural development. There cannot be a set plan to suit all times and circumstances; and hence when trying to build for the future, we should keep in mind the peculiar features of Indian economic life as it exists today. Very

similar was the position which confronted Sir Horace Plunkett and his co-workers in Ireland at the close of the last century. Writing in "Ireland in the New Century", Sir Horace Plunkett observed, "Perhaps more urgent than the creation or extension of manufactures on a larger scale is the development of industries subsidiary to agriculture in the country. This is generally admitted and most people have a fair knowledge of the wide and varied range of peasant industries in all European countries where a prosperous peasantry exists ..... The men and boys require employment in the winter months or they will not stay, and the rural industries promoted should, as far as possible, be those which allow of intermittent attention. The female members of the family must have profitable and congenial employment.....The handicrafts to be promoted must be those which will give scope to the native genius and aesthetic sense."

That is also the standpoint adopted by Prof. R. H. Tawney in his Memorandum to the Conference of the Institute of Pacific Relations held at Shanghai in November 1931 which forms part of his "Land and Labour China." This is what Prof. Tawney observes: "In view of the long

period of enforced idleness to which the farmer is exposed—he is said, in parts of China, not to be employed in agriculture for more than a hundred days in the year—bye-employments which supplement his income, ought obviously to be encouraged. In the majority of European countries, and particularly in those with large peasant populations, rural industries carried on in the cottages of the workers still play a more important part than is commonly realized. In China, the impression of a superficial observer is that hardly a district is without one or more of these. The dexterity, ingenuity, resourcefulness and, above all, sense of beauty of her common people are a social and economic asset of inestimable value. The course of wisdom, it may be suggested, is to build upon them. It is to retain where possible, as Prof. Tayler urges, ‘the small productive units which are the traditional form of industrial organization in China, but to secure for them the advantages of large scale methods in finance and commerce, by taking steps to promote the formation of co-operative societies.’ What Prof. Tawney writes of China is true of India, much though conditions have changed in recent years. The tradi-

tional organization of handicraft industry in India is breaking up, but before this process goes further we, in India, have to make up our minds whether the decline of handicraft is to be accepted, as in England, or whether, as in Germany and elsewhere, an attempt is to be made to preserve certain among them by improving their productive technique and business organization. China, under the stress of war, has chosen the latter path. It will be wrong, however, to believe that China has turned to co-operation for the building and rebuilding of her industries merely as a war-time measure. The system of industrial co-operation has been accepted as a new basis for China's economic structure.

While meeting the needs of war-time economy, the Chinese Industrial Co-operatives constitute a movement for securing a healthy balance between agriculture and industries. In a country where capital is scarce and labour plentiful, they represent a method of economizing in the use of the former, providing at the same time, the fullest scope for the latter. In place of concentration of wealth and industry in a few favoured areas, the new movement stands for dispersal

of labour, decentralization of production and diffusion of earnings. By this means, it is sought to lift the level of living for the people, to utilize the great untouched natural resources of the country and to relieve the combined horrors of homelessness and lack of work. Thus China rebuilds not only for a time and to meet the aggression of the foreigners, but it builds for all time and against all forms of exploitation—indigenous or foreign.

The attention which the growth of the Chinese Industrial Co-operatives has attracted in recent months has naturally led to much searching of heart among co-operators in India. The conscientious among these wish to know what exactly is the position of industrial co-operative societies in India and whether there is any prospect of further development in this field of effort in the near future. The term "industrial co-operation" has been interpreted as relating to co-operative societies of the resource or producers' type, credit or non-credit, rural or urban, primary or central, which are concerned with the economic betterment of workers in cottage or other small scale industries, including supplementary or subsidiary occupations. There is

very little of any industrial production undertaken in India by or on behalf of consumers or their co-operative organizations.

Among the workers in cottage industries who have organised themselves on co-operative lines for the advancement of their industry the most prominent group, it will be seen, is constituted of handloom weavers. They represent an industry which has managed to survive despite the competition it has had to face, first, from the organized textile industry of England and, later, from Japan and from the mills in India. One reason for the survival of the industry is the persistence of the demand from larger sections of the population in rural areas, particularly women, for types of cloth which were, till recently, not turned out by cotton weaving mills. But, in addition, the lower overhead costs of handloom weavers and their proximity to their rural markets also give them some advantage over their better organised and more powerful rivals. Developments upto the out-break of the war showed that even these advantages the handloom industry was in danger of losing owing to the operation of various factors which it will be beyond the scope of this article to examine.

One of the ways in which this danger can be averted, it is generally agreed, is to organise the artisans co-operatively to promote improvements in production, to get access to raw materials on fair terms, to secure the advantage of cheap credit and to arrange for the orderly marketing of their finished products. It will be seen that it is only in a few parts of the country that the movement for the organisation of the handloom weaving industry on co-operative lines has been taken in hand earnestly. The creation of district industrial co-operative associations in Bombay and the establishment of the Provincial Handloom Weavers' Society in Madras are moves in the right direction, though both types of agencies reach, at present, only a small section of the large numbers of weavers found in both the provinces.

These forms of organizations stand in need both of public support and State aid. Contact with the public comes in the field of marketing. Persons, imbued with the true spirit of Swadeshi, should patronize these products in preference to the manufacture of Indian or foreign mills. State aid may be needed, partly in the shape of guarantee funds, subsidies in the initial stages,

partly in the provision of facilities for marketing through the opening of museums and depots, and partly in the shape of arrangements for securing yarn on fair terms from the highly protected cotton textile industry. In this connection, the danger of relying on rivals for the supply of the basic raw materials of an industry-need hardly be pointed out. The starting of co-operative spinning mills conducted on behalf of weavers has often been put forward as a solution of the difficulty. To run spinning mills in competition with the well established mills of capitalist large-scale organisations may, however, involve the weavers and their sympathisers in heavy losses. Hence, as Mahatma Gandhi has often emphasized, the salvation of the handloom industry lies in the extension and improvement of the hand-spinning industry and the linking up of the two, as in the past. Leaving this aspect of the problem, it may be observed, that if in the interest of the community in general, agreement that the handloom weaving industry deserves to survive, the State may have to afford protection to the industry by regulating spheres of production or otherwise. It may also accord preference to the products of the organised small scale producers in the industry such as



has been extended during the war in Bombay, the Punjab, the United Provinces and elsewhere, by placing with co-operative institutions large orders for Army and other supplies.

Apart from the weaving of cotton cloth on handloom, the other industries that have received some attention at the hands of the Co-operative Departments in various Provinces and States are few in number. Moreover, the efforts that have been made, have not been on any well-planned systematic lines, even to the extent that they have been, though on a restricted scale, in relation to handloom weaving. Among the other industries that have claimed attention may be mentioned sheep-breeding and blanket making, cocoon rearing and silk manufacture, tanning and the manufacture of leather goods, some varieties of metal work, bee-keeping, coir manufacture, ivory and sandalwood work, lacquerware productions, gurmaking from date-palm trees, conch-shell work. Here and there, we find co-operative societies organized occasionally through local effort, sometimes under the inspiration of the local Departments of Co-operation and Industries.

Scarcely anywhere has there been any organized attempt, however, to resuscitate industries according to some regular scheme of development.

One of the reasons for the decay of the old established industries in India has been their inability to adjust their methods and machinery to the changing requirements of the times. It is this lack of adaptation that has brought several industries to grief, a defect which could have been cured in the early days, had the government of the times not been inspired, mainly from motives of self-interest, by rigid notions of *Laissez Faire*. To enable those engaged in various cottage industries to bring about improvements in technique and to assist them financially in the replacement of tools and implements represent a very desirable form of State aid which, again, can be given more suitably through co-operative organizations than to individual workers. This will be distinct from arrangements that may be necessary for the provision of facilities for training in crafts and industries, the opening of cottage industries' workshops on a modest scale and the running of demonstration plants where necessary.

In designing the structure of the industrial co-operative societies, it may be necessary to introduce a large element of out-side control and impose stricter discipline in the interest of cohesion and efficiency than are usually permitted in co-operative organisations. This was one of the recommendations of the Bombay Economic and Industrial Survey Committee (1939) which described Co-operation as the ideal method of organising small scale units, such as are represented by artisans. The Committee, apparently, contemplated the opening of small-sized factories, worked by Government or under the control of Government, but possessing, from the start, the elements of a co-operative organisation, so that as experience was gained, cohesion was established, the owned resources were strengthened and a sense of responsibility kindled, the institutions could work as full-fledged co-operative societies. Here, again, if the committee's emphasis on cohesion and discipline is to afford any guidance, it becomes evident that the future form of organization should be rather of the collectivist than of the individualist type. The structure of the producers' society, as distinguished

from the resource society, seems to be better suited to this form of co-operative effort. What the producers' form of organisation is, is well described in the leaflet on the subject drawn up, over twenty years ago, by Mr. Otto Rothfield when he was Registrar of Co-operative Societies in Bombay. The workers in one trade or craft in different areas combine and, by pledging their services or their credit in common, obtain the premises or machinery required for their industry. They work in common and share profits in common. They control operations through their own elected representatives. Goods are produced on behalf of the society and are its collective property. In return for work done, the workers obtain, from week to week, their normal pay and, at the end of the year, they are eligible for sharing in the gains of the business in proportion to the volumes of work turned out by them and the amount of wages earned by them. The society replaces, in its corporate capacity, the enterpriser or '*karkhanadar*' who, under the present system, commonly in vogue, individually controls the operations and appropriates the profits.

This form of organisation is, in essence, more truly democratic than any other type of economic organisations conceived of so far. It is common experience that group activities and characteristic group feelings become increasingly difficult when more than twenty or less than five individuals are concerned. In a producers' co-operative society, there are always more than five members forming the group and ordinarily its membership would be not much in excess of the figure of 20. If these artisans are thus organised in distinct groups for purposes of production, they can find scope, as Mr. Aldus Huxley observes in his "Ends and Means", for their kind of political abilities in self-governing groups within the industrial co-operative society, and this method enables us to build up democratic self-governing institutions. As he proceeds to assert, such a system provides the most propitious environment for equality. Power is decentralized, the means of production are owned co-operatively, but instead of production being conducted by the distant and intangible entity, called the State, economic activity is entrusted to and is controlled by a multiplicity of small, inter-related

self-governing groups of men and women. This is why China has adopted deliberately this form of organisation for its future industrial system, and why India, where conditions are very similar, must also do likewise.

Of the bodies that have interested themselves in the revival and re-organisation of village and other cottage industries on a nationwide scale, the most prominent are the All-India Village Industries' Association and the All-India Spinners' Association, founded by Mahatma Gandhi and working under his inspiring guidance. In the initial programme of the latter institution, stress is laid on the revival and development of such industries as are related to the daily life of the people, as can provide employment to large numbers of the population and as can be easily taken in hand by the rural population. Of such industries, the most prominent is hand-spinning which, according to the Bombay Economic and Industrial Survey Committee is "almost the ideally suited subsidiary occupation for the Indian agriculturist." As the Committee points out, this industry "involves very little capital, it is not difficult

to learn, it can be taken on and left off at the cultivator's convenience and it fits in with the century-old traditions of the countryside." Unfortunately, owing, mainly to political prejudices, practically no attempt has been made by Government in Indian Provinces to promote the development of this industry on well-ordered lines though recommendations in this behalf were made by the Indian Central Banking Inquiry Committee, by the Madras Committee on Co-operation and by the Bombay Committee referred to above. Through the Chinese Industrial Co-operatives, much has been done in recent years in that country to extend and improve the hand-spinning industry. Among other industries to which the programme of the A. I. V. I. A. extends may be mentioned the production of hand-pounded rice, oil pressing with the aid of bullock driven oil mills, tanning and manufacturing of leather goods by hand process in villages, bee-keeping, the manufacture of hand-made paper, soap manufacture, gur making from the sweet juice of palm trees. Most of these are industries which will stand to gain by being organised on co-operative lines. In Madras, there are a few co-operative socie-

ties for the preparation of hand-pounded rice and for the production of gur from date-palm juice. Elsewhere there are stray societies here and there for bee-keeping, tanning, leather work and oil pressing ; but these societies do not fit into some well devised scheme of industrial development. Nor is there any co-ordination of their activities or cohesion among the cottage workers engaged in one craft or industry. This is due to the absence of a definite policy of development on the part of the State and the absence of intimate contact between departments of Government and agencies that have interested themselves in the revival and promotion of these industries. These conditions, however, can change for the better only with an improvement in the general economic and political outlook before the country.

In recent months, the Central Government have expressed, time and again, their keen desire to stimulate the production of manufactured goods through small scale and cottage industries. One does not know whether this desire is born of the anxiety to secure a growing supply of goods from all available sources or whether it



indicates their intention to favour the production of certain types of consumers' goods through small scale establishments. In case, the desire represents a change in outlook, it should be recognised and implemented as a definite policy. Once the policy is accepted, it should be the business of the Co-operatives and Industries Departments of Governments in collaboration with other departments where such collaboration is needed to formulate not only short-term plans for securing goods quickly and cheaply, but also a long range programme. That programme should indicate the goods that are suitable for manufacture in cottage and other small sized establishments through self-governing workshops. If reliance has to be placed on experience elsewhere, the form of organisation for such industrial reorganisation cannot but be on the basis of Co-operation. Co-operation will enable the principle of decentralisation to be carried into practice to the maximum extent that is compatible with the organisation of production on an efficient basis. The question is, whether as in war-time China, Government will agree to this re-orientation of their policy towards industrial development. If they do, we

may yet see a re-building of our industrial structure on sound democratic lines, a re-building that may revolutionise the future of industry in India.

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